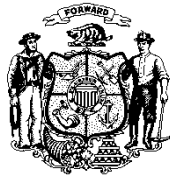


DEPARTMENT OF CHILDREN
AND FAMILIES
201 East Washington Avenue, Room G200
P.O. Box 8916
Madison, WI 53708-8916
Telephone: 608-266-8684
Fax: 608-261-6972
www.dcf.wisconsin.gov



State of Wisconsin
Governor Scott Walker

TO: **Child Care Eligibility and Authorization Workers
and Supervisors
Income Maintenance Supervisors
Income Maintenance Staff
Training Staff
Child Care Coordinators**

DECE/BELP OPERATIONS MEMO

No: 18-46

DATE: 11/02/2018

Wisconsin Shares Child Care

FROM: Kath McGurk, Director
Bureau of Early Learning and Policy
Division of Early Care and Education
Department of Children and Families

SUBJECT: Wisconsin Shares Child Care Self-Employment Policy Updates

CROSS REFERENCE: Wisconsin Shares Child Care Policy and Process Handbook,
Sections [1.3.8.3.2](#), [1.4.5.4](#), [1.5.11](#), [1.5.12](#), [2.4.3.6](#), [2.4.3.7](#)
and [2.4.3.8](#).
Process Help 16.2.3

EFFECTIVE DATE: November 1, 2018

PURPOSE: This Operations Memo informs local Child Care agency staff of policy and process changes for self-employed families who receive Wisconsin Shares Child Care Subsidy.

BACKGROUND: The Child Care and Development Block Grant (CCDBG) Act of 2014 requires states to create family friendly policies that help families maintain Wisconsin Shares Child Care Subsidy and support continuity of care for children. The intent of these new policies is to provide families with more consistent child care authorizations during their 12-month eligibility period.

NEW POLICY - ELIGIBILITY

**Non-Financial Eligibility
1.3.8.3.2 Self-Employment**

Parents who are self-employed must file taxes with the Internal Revenue Service (IRS) in order for the self-employment to be an approved activity for the Wisconsin Shares Child Care Subsidy Program.

Financial Eligibility

1.4.5.4 Self-Employment Income

Self-employment income for Wisconsin Shares Child Care eligibility is defined in statute as the sum of net earnings reported to the Internal Revenue Service and depreciation expenses, personal business and entertainment expenses, personal transportation costs, purchases of capital equipment, and payments on the principal of loans.

The expenses noted above are invalid expenses for Wisconsin Shares Child Care and are added to the Gross Income field in CWW during the Wisconsin Shares Child Care eligibility determination process. (Process Help 16.2.3)

Verification Requirements

1.5.12 Financial Eligibility Verification

Self-Employment: Financial eligibility must be verified during the eligibility determination process and at each annual renewal.

Parents who are self-employed must file taxes with the IRS. For Wisconsin Shares Child Care eligibility, self-employed parents must provide copies of both their personal and business filed IRS tax documents, including all schedules and attachments, for the most recent tax year. Workers may request verification that the tax forms have actually been submitted to the IRS if the documents are questionable.

Proof of filing taxes may include:

- Email confirmation if the parent filed online
- A tax form signed by the tax professional who filed on behalf of the parent
- A canceled check if taxes were owed after filing
- Bank statements clearly showing a deposit from the IRS
- Transcript of tax return from the IRS
- Verification that IRS form 4868 Application for Automatic Extension of Time to File U.S. Individual Income Tax Return has been filed with the IRS
- Other verification at agency discretion

Note: If the parent provides verification of filing for a tax extension (IRS form 4868), the parent must provide completed taxes, including all schedules, to the agency within 7 days of the IRS extension deadline of October 15. The current authorization in CSAW should not extend past October 15 of the current year (see 2.4.3.6).

Process: Workers must set an expected change reminder in CARES Worker Web (CWW) for October 15 (the IRS extension deadline). At that time, workers must send out a Notice of Proof Needed (VCL) requesting verification of the taxes filed by pending the Approved Activity page. The worker will need to add text to the VCL stating, "To remain eligible for Wisconsin Shares Child Care, you must provide a copy of your personal and business taxes, including all schedules and attachments." If verification is not received by the due date, the eligibility worker must end the child care eligibility in CWW by entering "No" on the Approved Activity page.

If previous year taxes were filed, agencies may use the previous year's filed taxes when determining eligibility. If the parent indicates there has been a significant change in circumstances from the previous tax year, the parent will need to provide Self-Employment Income Report forms (SEIRFs) (form DHS F-00107) for all months from when the significant change occurred, up to the current month.

If it is after the current tax year filing deadline, the parent must also provide verification that the IRS form 4868 Application for Automatic Extension of Time to File U.S. Individual Income Tax Return has been filed with the IRS.

Self-employed parents who have not filed business taxes for the previous year because the business was not in operation the previous year or because it is prior to the tax filing deadline, must provide SEIRFs for each month the business was in operation up to the month of the Wisconsin Shares application.

If either the IRS tax documents or SEIRFs appear questionable or need clarification, workers must request additional verification, such as receipts, contracts, or documentation of expenses.

1.5.11 Approved Activity Verification

Self-Employment: Parents who operate self-employment businesses (see 1.3.8.3.2) must file taxes with the Internal Revenue Service (IRS) in order to be eligible for the Wisconsin Shares Child Care Subsidy Program. Filed IRS tax documents for the most recent tax year must be provided for parents who wish to receive child care subsidy while self-employed. Tax documents must be provided at the annual review that follows the most recent tax filing season (see 1.5.12).

If the self-employment taxes have not yet been filed for the most recent tax filing year, agencies may use the previous year's filed taxes when determining eligibility. If the parent indicates there has been a significant change in circumstances from the previous tax year, or the business had not operated in the previous calendar year, the parent will need to provide Self-Employment Income Report forms (SEIRFs) (form DHS F-00107) for all months the business has been in operation, up until the current month.

NEW POLICY - AUTHORIZATIONS

2.4.3.6 Authorizations for New Self-Employment

During the first 12 months that a parent is engaged in a new self-employment business, the agency may authorize child care for the hours the parent is engaged in self-employment, up to one full-time authorization (35 to 50 hours per week) until the next eligibility renewal due date. If the renewal date is fewer than 12 months from the start of the new self-employment, the authorization following the renewal must still continue with the same amount of hours authorized until the 12 months have passed.

If the parent's self-employment business began prior to the date he or she applies for Wisconsin Shares Child Care, the worker must use the actual start date of the self-employment to determine the 12-month new self-employment period.

A parent may be eligible for up to a full-time authorization for a new instance of self-employment only once every 24 months. All months for a new self-employment business count and child care may not be authorized under a new self-employment

business for a full time authorization, as described in this section, until 24 months have elapsed.

When travel time is added, the sum of authorized hours cannot exceed 50 hours per week.

Example 1 (Initial Eligibility with New Self-Employment): Trista begins a new business baking cakes at the same time she applies for Wisconsin Shares Child Care. During the first 12-month eligibility period, she is not required to demonstrate a profit and the child care authorization may be for the number of hours she reports working, up to full time (35 - 50 hours per week). At her Wisconsin Shares Child Care eligibility renewal, Trista's child care authorization will be based on her monthly adjusted self-employment earnings divided by Wisconsin's minimum wage (\$7.25 per hour).

Example 2 (Initial Eligibility with New Self-Employment): Rosa starts her own business selling designer shirts in October. She applies for Wisconsin Shares Child Care in December. Her daughter, Louisa, is eligible for a full-time authorization until the following October. Rosa's worker should write consecutive authorizations until October 31. Starting in November, Louisa's authorizations would be based on Rosa's monthly adjusted self-employment earnings divided by Wisconsin's minimum wage (\$7.25 per hour).

Example 3 (Ongoing Eligibility with New Self-Employment): Richard is employed working as a delivery driver for ABC Trucking and is receiving Wisconsin Shares Child Care for his daughter, Aubrey. In September, he reports that he quit his job and will now be starting his own delivery business. His two (2) year old daughter, Aubrey, is eligible for a full-time authorization (35 to 50 hours per week) based on the new self-employment business for the next 12 months.

Example 4 (Ongoing Eligibility with Changing Self-Employment): Jonathon is a mechanic and has been operating his business from his home for the past few years. He is receiving Wisconsin Shares Child Care for his son, Joseph. Now, Jonathon wants to close the mechanic shop because he is not making a profit and start a new business as a handyman. Working as a mechanic and working as a handyman are two different skill sets, use different tools to perform the work, are performed in different work environments and the two businesses do not have the same clientele. This is a new self-employment. Joseph is eligible for a full-time authorization for the next 12 months.

Note: Self-employment as an unregulated child care provider is not allowed as an approved activity for Wisconsin Shares. If the parent is self-employed as a regulated child care provider, see 2.3.2 and 2.3.3.

2.4.3.7 Authorizations for Ongoing Self-Employment

After the 12-month period for new self-employment has passed, an authorization assessment is required and subsequent authorizations are limited to the number of hours that produce monthly adjusted self-employment income equivalent to at least Wisconsin's minimum wage based on income information that has been reported to the IRS on tax forms.

The monthly adjusted self-employment income divided by the Wisconsin minimum wage equals the maximum number of child care hours that may be authorized per month.

All travel time is already included in the hours allowed under this formula. The total authorized hours cannot exceed the calculated number. If the number of hours requested for child care is less than the calculated amount, travel time can be added, up to the calculated hours.

Note: When business expenses exceed the business's income, the business is operating at a loss. If the business is operating at a loss, the parent is not eligible for a child care authorization with that self-employed business as the Approved Activity.

Factors to consider for determining the authorized hours for self-employment include:

- Self-employed parents are eligible for school closed hours and inclement weather hours for school-age children, in addition to the maximum calculation.
- The child care need may be less than the self-employment minimum wage per hour calculation.
- Additional child care hours may be needed for another approved activity that may include travel time.
- Multiple parents in the household that do not have overlapping schedules.
- When there are two (2) self-employed parents that have different maximum calculated hours in CSAW, the worker needs to use the lesser of the two (2) calculations for the maximum authorization amount.

Example 1 (Single Parent Self-Employed Business): Tiffany's cake business has a monthly adjusted income of \$400. Divide 400 by \$7.25 to get 55.17, which is rounded up to 56 hours for the month. If Tiffany will utilize 56 hours for child care, do not add additional hours for travel.

Example 2 (Single Parent Self-Employed and going to school): Kenisha has been self-employed for 14 months selling cosmetics. Her monthly adjusted income is \$500. Divide \$500 by \$7.25 to get 68.97 hours for the month. Kenisha is also finishing college to get her business degree. She attends school part-time 13 hours per week, and needs 2 hours per week for travel time. $68.97 + (15 \times 4.348125) = 134.17$ hours for the month. 134.17 is rounded to 135 hours for the month.

Example 3 (Two-Parent Household-Separate Self-Employed Businesses): Keisha and Rick are married and have 4 children. Rick has an auto repair business. Rick works at the auto repair from 6 a.m. to 6 p.m. Monday through Friday and also on Saturday mornings. The auto repair business produces a monthly adjusted income of \$1,000. Keisha has her own small business selling scented candles and home décor. The monthly adjusted income from Keisha's business is \$600. Keisha works about 15 hours per week, always in the evenings after Rick is home. Since they indicated they do not have overlapping schedules, they do not qualify for an authorization.

Example 4 (Two-Parent Household Shared Self-Employed Business): Keisha and Rick share a business selling honey and work the exact same hours. Their monthly adjusted

income of \$1,000 is split in half because they are equal partners. Keisha's adjusted income of \$500 makes her eligible for 68.96 (round to 69) hours and Rick's adjusted income of \$500 makes him eligible for 68.96 (round to 69) hours of child care. Their work hours overlap, therefore they are eligible for up to 69 hours of child care subsidy per month.

Example 5 (Single Parent Self-Employed Business): Bob is self-employed at Bob's Burgers and makes \$15,000 a year. He pays himself a draw/salary of \$10,000 per year. That draw/salary amount is entered in Employment Page in CWW. The remaining \$5,000 self-employment income is entered on the self-employment page in CWW. Use the total Self-Employment Income of \$15,000 to calculate the number of authorized hours. Divide $\$15,000 \div 12$ to find a monthly income of \$1,250. Then $\$1,250 \div 7.25 = 172.41$. Bob is eligible for a maximum of 173 hours per month.

CSAW Process:

Following an annual renewal and authorization assessment, if the family remains in the Copayment Stabilization Period, the copayment per hour will be based on the income information from the current renewal until the next annual renewal, unless income decreases (see 2.5.3.1). If the family transitions to either the Gradual Phase Out Period or Exit Period at renewal, the copayment per hour could change (see 2.5.3.2 and 2.5.3.3). Parents must provide the current year personal and business taxes, including all pages and schedules, or proof of a tax filing extension, for each annual eligibility renewal.

CONTACTS:

For Wisconsin Shares Child Care policy questions outside of Milwaukee County contact your Bureau of Regional Operations (BRO), Child Care Coordinators at BROCCPolicyHelpDesk@wisconsin.gov.

For Child Care CARES/CWW and CSAW Processing Questions statewide, and policy questions in Milwaukee County, contact the Child Care Subsidy and Technical Assistance line at: childcare@wisconsin.gov or (608) 422-7200.

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